The ten apparel sourcing countries to watch in 2023

Just Style has evaluated the scores within GlobalData's Apparel Intelligence Center to reveal the top ten apparel sourcing countries to watch in 2023.

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Once again, we have a real mix of likely and unlikely suspects in *Just Style*'s top ten list of apparel sourcing countries to watch in 2023, including two intercontinental countries and two based in Central America.

Click here to read Just Style's apparel sourcing countries to watch in 2022.

It's also worth noting that a number of key apparel sourcing countries did not make it into the top ten list for 2023 at all. Bangladesh just missed out on making the top ten, taking the 11th spot. Cambodia came in at number 15, while India, Sri Lanka and Pakistan made the 13th, 17th, and 19th positions, respectively.

Ethiopia, which had its AGOA trade preferences removed in January 2022, was further down the list at number 25, while Mynamar, which has experienced significant civil unrest, took number 27.

Some countries achieved the same scores so share their spot – China and Guatemala share spot six, while Egypt and Thailand at the bottom of the list, both scored the same.

Taking a look at the year ahead, Steve Lamar, AAFA president and CEO, told Just Style that sourcing diversification – probably the biggest in a generation – continues to be a priority in 2023.

“We are seeing fundamental changes not just where products are made but where the inputs from those products come from. Companies are seeking stability and proximity to markets and suppliers while avoiding supply chain disruptions and risks. The buyer-supplier partnership continues to evolve as supply chains become transparent, traceable, and sustainable, and with that evolution we will see evolution in sourcing patterns as well."

Methodology

The scores of 27 of the world's leading apparel sourcing countries were taken from data that can be found exclusively in the GlobalData Apparel Intelligence Center.

It is based on a maximum score of 75 with each sourcing destination receiving a score out of five for the 15 main factors that would affect a supply chain executive's decision to use a country for apparel sourcing in 2023.

For each of the 15 factors, a score was given between one and five, with five equating to excellent. The scores were then added together to create a final result for each country.

The total scores for each country were then added up and ranked highest to lowest.

Just Style has focused on the top ten performing countries as well as those with the three lowest scores out of the total 27 countries measured. However, the full list of countries with their scores can be found at the end of this feature.

The 15 factors used to calculate the apparel sourcing results are:

- Ability to provide Free/Freight on Board (FOB) – the most commonly used shipping agreement in garment exports
- Price
- Tariffs advantage
- Compliance/sustainability
- Production quality
- Efficiency
- Lead time
- Reliability
- Ability to create basic products
- Financial stability

- Vertical integration/ability to source new materials
- Political stability
- Flexibility of order quantity
- Innovation and ability to develop products with buyers
- Ability to create value-added products

Top 10

10. Thailand *[Non-Mover from 2022]*

Score: 50/75

Southeast Asia's Thailand takes 10th place with a score of 50 out of 75. The country scored highly in seven out of the 15 factors within the scorecard data. Its highest scores were for its innovation and ability to develop products with buyers (4.5/5), ability to provide FOB (4/5), production quality (4/5), lead time (4/5), reliability (4/5), ability to create basic products (4/5), and vertical integration/ability to source new materials (4/5).

With one of the greatest domestic capacities for innovation among its major Asian competitors, Thailand has long integrated design and product development services throughout its value chain and has led in the adoption of assistive technologies. It has also led the way in the development and use of man-made fibres, including anti-bacterial fabrics. However, while Thailand's freight-on board and its cut-make-pack prices are competitive, they remain more expensive than those of many other Asian manufacturers. Financial stability has also continued to be a problem for the apparel producing country. Short-term risks include rising inflation, driven in part by energy prices and difficulties with its global supply chain. The country's debt will also continue to widen. The 2023 budget calls for a new round of deficit spending to help stimulate growth.

9. Egypt *[Down two places from 2022]*

Score: 50/75

Egypt, which sits on the border between Africa and the Middle East, also scored 50/75 but was ranked higher than Thailand as it scored one ‘excellent’ 5/5 rating, whereas the Southeast Asian country did not.

Egypt was awarded excellent (5/5) for its lead times, which average 30 to 75 days, although some products can be ready to ship in as few as 12 days, and samples can be ready in as little as a week. Egypt has also improved its port processing speed, although labour unrest can lengthen load and sitting times.

Egypt has the only fully vertically integrated industry in Africa and the Middle East. The country specialises in cotton-based garments but because much of Egypt’s domestically produced cotton is exported and what is not exported is of inferior quality, it supplements domestic supplies with imports from the US, India, and Pakistan. The country’s Vision 2035 strategy intends to improve vertical integration by reducing reliance on external inputs and creating greater efficiency and quality in its textile production.

8. Morocco *[Up one place from 2022]*

Score: 51.5/75

Africa-based Morocco sits in 8th place with a score of 51.5 out of 75. It achieved top marks (5/5) for its ability to create basic products as it remains a major producer of high-quality basics at a reasonable cost. High scores were also achieved for its lead times (4.5/5), its production quality (4.5/5), and its tariff advantages (4.5/5).

The country's strategy for growth includes plans to exploit that niche and the country is focused on low value-added basic production, although it has high value-added capabilities.

Nearly 96% of Morocco's apparel trade is with the EU, and the country trades tariff-free with the EU under the EU–Mediterranean Partnership. While only 1% of Moroccan apparel goes to the US market, tariffs have been eliminated under the USMFTA. Through the elimination of a variety of non-tariff barriers, the USMFTA also opens the Moroccan market to US inputs. Currently, the majority of inputs come from the EU and China.

7. Guatemala *[Up one place from 2022]*

Score: 52.5

Guatemala is placed seventh with a score of 52.5/75, the same as China. The Central American country was awarded top marks for its ability to provide FOB (5/5), which includes cost, insurance, and freight (CIF); and delivering duty paid (DDP), mainly to the US.

The country also scored 4.5/5 for its tariffs advantage, lead time and its innovation and ability to develop products with buyers.

Apparel represents Guatemala's second-largest export (about 20%), and the country offers many benefits for retailers and brands ranging from quality and efficiency to vertical integration and multiple free trade agreements.

Guatemala has focused on speed to market as its competitive advantage. The country has short lead times, which average from 24 to 40 days. And while Guatemala had lost ground in its capacity to innovate over the previous three years, this began improving in 2021, especially in the areas of business, technology, and creativity. The country's lack of innovation has little effect on the apparel industry since Korean investors own many of the country's factories and have infused the industry with advanced technologies and adopted original design manufacturing.

6. China *[Down two places from 2022]*

Score: 52.5

China is ranked at number six with the same score as Guatemala. However, it scored two 'excellent' ratings as opposed to one for the central American country.

China scored top marks for its ability to provide FOB, which it can do at low cost because of its high level of integration. China does provide many other international commercial terms, including delivered duty paid (DDP), but FOB is considered the best option.

The country also scored an 'excellent' rating for its vertical integration and ability to source new materials. As the world's largest supplier of apparel inputs, China is a well-established, vertically integrated apparel production system known for speed, efficiency, and reliability. It has internal, material, infrastructural, technological, and human resources that allow it to control supply, production, and value chains. As labour costs have risen, China has placed vertically integrated production in nearby trading and supply partner countries, using its resources and supply chain expertise. It has also enhanced integration with automation.

China is the world's second-largest economy and largest apparel exporter. Its leadership position has been weakening, but no other country can match its supply base, its range of skills, quality levels, product variety, completeness of its supply chain, or has the capacity to absorb its business.

It should be noted however, there are claims of forced labour within China's Xinjiang region and this has led many countries, including the US to ban the import of Xinjiang-made cotton.

Robert P. Antoshak, partner, Gherzi Textile Organization, told Just Style recently: "From a sourcing perspective, China has had its time. Although China will hardly disappear as an apparel supplier, its traditional role as a sole source of supply will diminish over time.

“Many forces have compelled purchasing companies to diversify their sources of supply away from China. First, of course, we had pandemic-induced supply chain disruptions. But now we have a changing global economy, political frictions, and a rebalancing of production costs. As a result, sourcing companies look beyond China to not only mitigate risk but also to strengthen sources of supply.”

5. El Salvador *[Non-mover from 2022]*

Score: 52.6

The fifth spot goes to Central America’s El Salvador with a score of 52.6 and 5/5 for its ability to provide FOB with the country moving away from pure Cut, Make, Trim (CMT) to the full package.

The country also scored highly (4.5/5) for its lead times, ability to create value-added products, and its vertical integration and ability to source new materials.

El Salvador continues to integrate its well-established textile production with its cut-and-sew production and total integration is found in its apparel-producing clusters. Although the country relies heavily on imported materials for its cotton products, it produces synthetic fibres and fabrics and it has increased its focus on products using those materials such as the growing athleisure market. It is also importing high-tech equipment for the production of both fabrics and cut-and-sewn.

DR–CAFTA allows tariff-free bilateral trade in apparel and textiles with the US, which makes up 73% of the El Salvador apparel export market. Over 40% of its trade is with Honduras. Imports and exports of textiles and apparel are tariff-free among members of the Central American Common Market (CACM): Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua. While the EU–CAAA provides a similar advantage in trade with the EU, the EU constitutes less than 10% of El Salvador’s market.

4. Mexico *[Up 2 places from 2022]*

Score: 54/75

Fourth place goes to Mexico, moving up two places from last year. The country scored excellent marks (5/5) for both its ability to provide FOB and its tariff advantage. Mexico has a long history of offering FOB, which is widely available, although the prices of FOB products have increased over those of its Asian competitors.

The United States–Mexico–Canada Agreement (USMCA) has been the most powerful of Mexico's trade agreements. Because it applies strict rules of origin that curtail the use of non-USMCA materials, it has promoted US investment in Mexico's apparel industry, which enjoys tariff-free export to the US, which is nearly 85% of its market. Mexico has a large number of FTAs (12 with 46 countries), which means the Mexican market is one of the most open and competitive in the world.

In April 2020, a new EU–Mexico agreement was reached but still awaits finalisation. Under the new bilateral trade agreement, apparel imports and exports will remain duty-free. While the US is the largest import partner in textile and apparel, China, India, Bangladesh, and Vietnam are growing as significant trading partners. Mexico was one of the earliest ratifiers of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which links it to Asia, and is eager for China to join the agreement.

3. Peru *[Non-mover from 2022]*

Score: 56.5/75

Peru is the only South American country to make it into the top ten list with a score of 56.5. The country did not receive any 'excellent' scores but it's overall high score comes from the fact it received almost top marks 4.5/5 and 4/5 for ten of the 15 factors.

The country achieved 4.5/5 scores for its tariffs advantage, production quality, lead times, and its vertical integration/ability to source new materials.

This is not surprising as Peru is widely known for its high quality production and lead times that can be as short as 30 days, depending on the size and sophistication of the manufacturer.

Apparel is Peru's largest manufactured export with the majority going to the Americas. The industry employs about 130,000 workers and it attracts global brands, in part because of its rich heritage in textile craft and eco-friendliness.

Peruvian apparel manufacturing is known for its high quality. Quality control has been part of the systematic restructuring of the industry over the past ten years to achieve the efficiencies of greater integration. Peru views quality as one of its competitive advantages. Moreover, it has the advantage of high-quality inputs. The country also benefits from having the full production chain within its borders, so that from fibre to yarn to fabric manufacturing to the making of garments, production is highly integrated.

2. Turkey *[Non-mover from 2022]*

Score: 58/75

Turkey, which lies between Europe and Asia, is arguably one of the more notable apparel sourcing destinations to make it on the top ten list.

The country scored 58 in GlobalData's Sourcing Scorecards data, which is only slightly less than the country taking the top spot. Plus, it received top scores (5/5) in seven out of the 15 key factors, including:

- Ability to provide FOB
- Efficiency
- Production quality
- Ability to create basic products
- Vertical integration/ability to source new materials
- Innovation and ability to develop products with buyers

- Ability to create value-added products

FOB (and C&F) is widely available in Turkey and the Istanbul Apparel Exporters Association believes the industry initiative to digitise the entire supply chain will help improve and expand FOB offerings. However, CMT still dominates much of Turkish production because of the large number of small companies.

Turkey's efficiency in apparel production is comparable to China. Turkey has digitalised every aspect of its industry. It has a well-managed supply chain, a large pool of skilled workers, and a rapidly expanding number of companies using assistive apparel manufacturing. The country's productivity, which is partially a function of its efficiency, is also high. Its total factor productivity (TFP), which measures the growth of outputs compared to inputs, is one of the highest in the world.

Turkey has a wide range of manufacturing capabilities, including basics, which remain the largest part of its apparel exports, with women's suits and T-shirts topping the list. Already a provider for many brands that focus on basics, Turkey is seeing an expansion of interest from European brands. The country has introduced technologies that will enhance its position in the low-end market.

1. Vietnam *[Non-mover from 2022]*

Score: 60.5

The top spot and main apparel destination to watch in 2023 goes to Southeast Asia's Vietnam. It scored 60.5, higher than its score of 59 last year and achieved an 'excellent' score (5/5) for its ability to create basic products, and political stability.

Vietnam also scored high (4.5/5) in four categories: ability to provide FOB; price; efficiency; and lead time.

The country is often regarded as the most continuously stable in Southeast Asia and it is this history of stability that puts it at the top of most global lists. It honours its various international agreements, such as the EU-Vietnam free trade agreement, which demands compliance on issues such as intellectual property and human rights. Vietnam’s willingness to cooperate with conditions in those agreements limits the threat of international destabilising pressures. The stability and independence of Vietnam has allowed it to pursue diverse economic, political, and military ties with regional powers such as Japan and India, and also with the US.

The US is the largest apparel export market for Vietnam (40%), followed by Asia (35%), and the EU (14%), while Asia is the largest source of manufacturing inputs (75%), with China by far the largest contributor of raw and intermediate materials.

Vietnam’s efficiency and productivity rates are rising. It already has one of the highest production efficiency rates in the world, estimated at 95%. It is used to large order quantities and Vietnamese factories follow line systems, lean manufacturing, visual control systems, data monitoring, and rejection analysis.

Vietnamese manufacturers provide one of the fastest speeds to market; the average production time is 20 days. Using locally-sourced materials, average lead times are 50 to 60 days, and 90 with imported inputs. Using assistive technologies, sample times can be as low as eight days and full runs from 14 to 35 days. Shipping to the United States requires about 21 days, and to Europe 30 days.

The country continues to expand its export of high-volume basics and has established a record of good quality, efficiency, and reliability. During the pandemic, Vietnam concentrated more strongly on basics as the most stable of its product offerings. It has started to rival Bangladesh among apparel exporters worldwide, and one advantage it has is a product line of basics that is larger than that in Bangladesh.

The three countries at the bottom of the list and facing the biggest challenges in 2023

The three sourcing destinations sitting at the bottom of the list and most likely to face real challenges in 2023 have all experienced political instability and uncertainty in 2022.

Here is Just Style’s analysis of the three countries with the lowest scores as we move into 2023:

1. Myanmar – 8.5/75 *[Non-mover from 2022]*

It is highly likely that Myanmar, which scored the lowest mark of 8.5/75 and zero in seven of the 15 key factors, will have another challenging year in 2023. The country’s score is somewhat lower in 2023 than its score of 18.5 last year.

Since Myanmar’s coup on 1 February 2021, the military (the Tatmadaw) has consolidated power. Yet, even before the coup, the state of Myanmar’s democracy was fragile and roiled by factionalism and ethnic conflicts. The road to stability will be difficult and the country will remain unstable into the foreseeable future.

The current political situation has disrupted both supply chains and the labour supply, as factories close, brands abandon the country, and those who continue to work are subject to harsh conditions. At the same time, many countries have withdrawn favourable trade agreements and the Ethical Trading Institute has urged the cessation of international investment in the country. When normal industry production and trade resumes, ongoing sanctions are likely to make prices prohibitive except within a small circle of regional partners, and lost time in reshaping the industry to 4.0 standards will make competing difficult.

Assessing quality in what is currently a highly disrupted industry is difficult. Production quality had been generally high in foreignowned factories, while smaller, local factories had fewer quality controls. Myanmar's growth area was low-cost basics, although the country's workforce is highly skilled with experience manufacturing complex products. Many factories have been used to applying Japanese quality standards, and the CBI (The Centre for the Promotion of Imports From Developing Countries) was helping Myanmar assure that its garments met European standards. Quality was high and growing.

2. Haiti – 25/75 *[Non-mover from 2022]*

This small Caribbean nation, which scored the second-lowest in the scorecards data, is widely regarded as the poorest country in the West, however it is almost entirely dependent on the apparel industry.

The country scored low in almost all of the 15 key factors, with high scores of 3.5/5 for its tariff advantage due to its trade with the US, and 3/5 for its ability to make basic products.

The country, which scored zero for both financial and political stability, suffers from severe and chronic political and institutional uncertainty, which, along with the pandemic, has roiled the nation in recent years.

The country faces significant challenges to growth from disruptive social and political unrest, corruption, and organised crime. With some of the lowest grades on infrastructure, credit, and ease of doing business, the country sadly lacks the stability and resources for sustained improvement.

It also remains highly vulnerable to natural disasters and it takes many years for the country to recover from the aftermath of severe hurricanes, which are common in the Caribbean region.

On the plus side, since 2010, USAID has worked with the Haitian government and businesses on local enterprise and value chain enhancement projects aimed at developing skills in the apparel industry and promoting small- and medium-sized enterprises. Several other projects have taken place.

Similarly, although Haitian wages, the lowest in the Western Hemisphere, have helped keep prices low, protests for higher wages that were roiling the industry pre-Covid have re-emerged and led to gains. Low wages have been important given the constraints on worker efficiency. As Haiti tries to restart its export industry after Covid, the International Finance Corporation, with help from Korea, which is already a major investor in Haiti's textile and apparel industry, is expected to support efforts to increase efficiencies that will keep costs low and Haiti competitive. Haiti's geographical proximity to the US confers a further price advantage.

3. Ethiopia – 31/75 *[Non-mover from 2022]*

The East African nation scored the third lowest in the scorecard data, which is unsurprising given the civil war that has plagued the nation in 2022.

The country will be hoping African Growth and Opportunity Act (AGOA) privileges will be restored in 2023 now a peace deal may have halted the country's armed conflict with the Tigray region. The US made the decision to suspend the country from AGOA in January 2022.

AGOA gives Ethiopia duty-free access to the US market and Ethiopian clothing suppliers warned that stripping the AGOA trade benefit would have a negative effect on the 50,000 jobs that were created thanks to the scheme.

The country remains one of the poorest in the region, despite having one of the fastest-growing economies. In recent years, the government has sought to diversify its economy away from agriculture by prioritising the development of the export textile and garment industry. The sector has undergone rapid growth, promoted in part by foreign direct investments aimed at the European market.

The full apparel sourcing countries list for 2023 based on GlobalData's sourcing scorecard data (listed from highest score to lowest)

1. Vietnam: 60.5
2. Turkey: 58
3. Peru: 56.5
4. Mexico: 54
5. El Salvador: 52.6
6. China: 52.5
7. Guatemala: 52.5
8. Morocco: 51.5
9. Egypt: 50
10. Thailand: 50
11. Bangladesh: 49
12. Indonesia: 48
13. India: 46.5
14. Madagascar: 46
15. Cambodia: 45.5
16. Honduras: 45
17. Sri Lanka: 44.5
18. Tunisia: 44.5
19. Pakistan: 43.5
20. Jordan: 42.5
21. Dominican Republic: 42
22. Malaysia: 42
23. Philippines: 40
24. Nicaragua: 39
25. Ethiopia: 31
26. Haiti: 25
27. Myanmar: 8.5